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C O N F I D E N T I A L BAGHDAD 003976

SIPDIS

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TAGS: PREL PGOV KDEM ECON EFIN ETRD IZ

SUBJECT: VP ADEL ABD AL-MAHDI UPBEAT WITH CODEL STEARNS

Classified By: Political Counselor Robert S. Ford for Reasons
1.4 (b) and (d)

11. (SBU) VP Adel Abd al-Mahdi told CODEL Stearns September 24 that he expects the referendum to pass without problems. He added that the U.S. had facilitated the negotiations but it was an Iraqi product. In the end, it was the best that could be produced, he said, even if he was not entirely happy with it. Several Codel members promptly responded that if none of the Iraqi negotiators was entirely happy with it the draft constitution was probably a reasonable political deal.

Election Security

12. (C) Asked whether Iraq would need more troops to safeguard the election process, Abd al-Mahdi doubted they would be needed. He cautioned that ultimately this question would be a decision for MNF-I CG Casey. Abd al-Mahdi noted that he lives in the Red Zone and many other government officials do so, including most members of the National Assembly. Abd al-Mahdi said that he personally thought the situation in much of the country was far better than the media coverage would suggest. Moreover, Iraqi security forces are improving steadily.

Iraq,s Economy Improves

13. (SBU) Abd al-Mahdi said he perceived the economic situation was slowly improving, especially for small business. He stressed that trade has tremendously helped the local economy. Iraq's currency remains stable, he observed, and although he was not satisfied with Iraq,s stock market, he thought it would develop in time. Abd al-Mahdi's Senior Advisor Zuhair Humadi reported that the GOI is contemplating the establishment of a think tank to address banking, investment and commercial legislation tailored to Iraq,s needs. Both Abd al-Mahdi and Humadi underlined that the banking system is an enormous obstacle to private sector development. Even here, the VP noted, there is progress as he pulled out an Iraqi-bank issued Visa card.

Khalilzad